

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 312 (Delegate Rudolph)
Health and Government Operations

Health Insurance - Small Group Market - Wellness Activities - Discount

This bill permits a health insurer, nonprofit health service plan, or HMO (carrier) to offer a discounted premium rate for participation in wellness activities to individuals enrolled in the Comprehensive Standard Health Benefit Plan (CSHBP) sold in the small group market. A wellness activity is a program or activity, consistent with guidelines developed by the Maryland Health Care Commission (MHCC), such as smoking cessation, injury and accident prevention, weight loss, exercise, nutrition education, and other similar activities, for the purpose of improving health and reducing health care costs.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2005. No effect on expenditures.

Local Effect: None.

Small Business Effect: Potential meaningful. To the extent small business employees participate in wellness programs and carriers subsequently provide premium discounts, small business health insurance expenditures could decrease.

Analysis

Current Law: CSHBP is a standard health benefit package (standard plan) that carriers must sell to small businesses (50 or fewer employees). Carriers must offer the standard plan to all small businesses, but may sell additional benefits or enhancements through riders. Any riders must be offered and priced separately.

CSHBP includes guaranteed issuance and renewal, adjusted community rating with rate bands, and the elimination of preexisting condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 10% of Maryland's average annual wage. Premiums must be based on the experience of all risks covered by a particular health benefit plan without regard to health status or occupation. A carrier may adjust the rate only for age and geographical location.

The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) prohibits discrimination in health coverage based on health status. However, HIPAA's nondiscrimination provisions do not prevent health plans from establishing wellness incentives to encourage participants to participate in health promotion and disease prevention programs and to attain specific outcomes. These incentives may take the form of premium discounts or rebates, or modifications to applicable copayments or deductibles. On the other hand, HIPAA's nondiscrimination provisions do prohibit plans from imposing a penalty for unhealthy activities, such as smoking.

Background: In an effort to stem increasing health insurance and medical costs, many employers offer health insurance premium discounts to enrollees who participate in wellness programs. In 1998 the U.S. Department of Labor estimated that premium discounts associated with wellness programs ranged from \$60 to \$500 and averaged \$240 per participant. Some types of wellness programs include smoking cessation, weight management, stress management, nutrition education, and prenatal education.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Employee Benefits in Medium and Large Private Establishments (January 1998)*, U.S. Department of Labor; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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